

Message Text

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PAGE 01 STATE 242072
ORIGIN EA-12

INFO OCT-01 ISO-00 EB-08 H-01 COME-00 L-03 /025 R

DRAFTED BY EA/J:H A COCHRAN:EH
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-----004839 080018Z /73

O 072101Z OCT 77
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, BDIS, US, JA

SUBJECT: MAJOR JAPANESE COMPANY DEFAULT

1. OFFICE OF CONGRESSMAN ROBERT DUNCAN (D-ORE) HAS INFORMED EA/J THAT MR. DUNCAN INTENDS TO CALL AMBASSADOR MANSFIELD ABOUT DEFAULT BY A JAPANESE COMPANY ON 17.5 MILLION DOLLAR CONTRACT WITH THE CITY OF PORTLAND. DUNCAN ALSO INTENDS TO CONTACT AMBASSADOR TOGO TO SEEK RESOLUTION OF THIS ISSUE.

2. THE CITY OF PORTLAND HAD CONTRACTED WITH ISHIKAWAJIMA-HARIMA TO CONSTRUCT A MAJOR DRYDOCK, ONE OF THE TWO LARGEST IN THE COUNTRY. THE DRYDOCK HAS BEEN A MAJOR POLITICAL ISSUE IN OREGON FOR THREE OR FOUR YEARS AND ONLY RECENTLY WAS A 84 MILLION DOLLAR BOND ISSUE APPROVED TO FINANCE IT. THERE HAVE BEEN NUMEROUS CONTROVERSIES OVER WHETHER FOREIGN FIRMS WOULD BE ALLOWED TO BID, WITH LABOR UNIONS STRONGLY CONCERNED.

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PAGE 02 STATE 242072

3. BIDS WERE OPENED JUST OVER A WEEK AGO. THE LOWEST BID WAS BY ISHIKAWAJIMA-HARIMA AT 17.5 MILLION DOLLARS. THE NEXT LOWEST WAS BY MITSUI AT 20 MILLION DOLLARS AND THE THIRD WAS A KOREAN COMPANY.

4. THE CITY AWARDED THE BID TO IJH WHICH POSTED A BOND OF

1.7 MILLION DOLLARS. HOWEVER, THE FIRM HAS REFUSED TO POST A CONSTRUCTION BOND OR TO SIGN A CONTRACT. IN THESE CIRCUMSTANCES THE CITY WILL BE FORCED TO TAKE THE SECOND BID, WHICH ENTAILS AN IMMEDIATE LOSS OF 800 THOUSAND DOLLARS (20 MILLION - 17.5 , 1.7 MILLION BID BOND FORFEITED).

5. BESIDES FOR THE OBVIOUS CONCERN AT THE INCREASED COSTS OREGON OFFICIALS WERE WORRIED THAT, GIVEN THE EXTREMELY POLITICAL NATURE OF THIS PROJECT THE CHARGE WILL BE MADE THAT THERE HAS BEEN A CONSPIRACY BETWEEN THE TWO LOWEST BIDDERS ON THIS PROJECT. THIS CHARGE IS CERTAIN TO BE RAISED BY THE UNIONS.

6. THESE CHARGES COULD DEVELOP INTO A SERIOUS ISSUE IN BUSINESS RELATIONS BETWEEN PORTLAND AND JAPAN.

7. CONGRESSMAN DUNCAN WILL WANT TO ASK FOR AMBASSADOR'S GOOD OFFICES TO HELP RESOLVE THIS CONFLICT. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Concepts: CONSTRUCTION, DRYDOCKS, CONTRACTS, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Litigation History:
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